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UNCLAS ALMATY 004256

SIPDIS

DEPT PASS TO EUR/CACEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

E.O. 12958: N/A

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SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE

November 13 - November 26, 2005

[1](#)1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

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-- WTO Protocol with Japan Signed
-- ADB and Kazakhstan: New Forms of Cooperation
-- New Owner of Karaganda Airport
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-- Kazakhstan-China Pipeline Completed
-- Plans of the International Consortium Agip KCO
-- TCO to Export Tengiz Oil by the Southern Route
-- EBRD and DBK to Finance North-South Power Line

Early Repayment of Foreign Loans in 2005

[1](#)2. "Taking into account current conditions in the international loan market and in order to sterilize the excessive money supply, the Finance Ministry took a decision to repay ahead of schedule those foreign loans of the government that are most expensive to service. The amount of money to be paid is \$849 million, which is equal to KZT 111 billion," Finance Minister Dunayev announced at a government meeting on November 21. (Interfax-Kazakhstan, November 21)

WTO Protocol with Japan Signed

[1](#)3. Kazakhstan completed bilateral talks with Japan on the conditions for the access of goods and services to its market. A protocol to this effect was signed in Astana on November 23. Japan is one of the G-8 countries with which Kazakhstan concluded the negotiations. As Industry and Trade Minister Sauat Mynbayev said, "we have not completed negotiations with the USA and the European Union. There will be difficult negotiations with Canada and Australia because these countries are very interested in our agricultural sector being more open." (Interfax-Kazakhstan, November 23)

ADB and Kazakhstan: New Forms of Cooperation

[1](#)4. The Asian Development Bank signed a memorandum of understanding on its first public-private investment in Kazakhstan. ADB President Haruhiko Kuroda said in a meeting with President Nazarbayev that the coming project with Almaty Power Consolidated (a regional energy supplier) would help upgrade APC power transmission and distribution lines and would be a new form of partnership based on investments without sovereign guarantees. Also, the ADB is consulting with the GoK on a possible Tenge bond issue directed at developing the national stock market. (Central Asian Newswire, November 15)

New Owner of Karaganda Airport

[1](#)5. Sky Service airline from Almaty is a new possessor of Sary Arka airport in Karaganda. According to the Karagandinskaya Oblast Finance Department, the company acquired the airport by tender for KZT 650,352 million (approximately \$4.8 million). Under the agreement signed with the new owner, the Karagandinskaya oblast government holds a "golden share," which allows it to interfere in affairs of the airport at any time. Sky Service is expected to invest in official uniforms and professional training of airport personnel. Karagandinskaya oblast is one of the industrially advanced regions of Kazakhstan, with 1.3 million habitants. (Interfax-Kazakhstan, November 16)

Economic Statistics

16. According to the National Statistics Agency, the gross domestic product (GDP) of Kazakhstan totaled KZT 5,169.3 billion (approximately \$38.3 billion) in January-September 2005. Real GDP was 108.9% of Real GDP in the same period of 2004. The 8.9% GDP growth was attributed to growth of real volumes in all sectors of the economy: industry - up 4.2%, agriculture - up 7.4%, construction - up 8.8%, transportation and communication services - up 9.5%, trade - up 9%. (Interfax-Kazakhstan, November 11)

17. Kazakhstan's external trade surplus totaled \$7,916.6 million in January-September 2005 versus \$4,977.3 million during the same period of 2004, a 59% increase. As the National Statistics Agency reports, Kazakhstan's foreign trade turnover was \$33,004.6 million in this period (excluding unauthorized trade), up by 42.2% compared to the same period of last year, with exports of \$20,460.6 million (up by 45.2%) and \$12,544 million of imports, including transportation and insurance expenses (up by 37.6%). (Interfax-Kazakhstan, November 14)

Kazakhstan - China Pipeline Completed

18. According to Xinhua News Agency, the 1,000-kilometer (625-mile) pipeline is designed to carry 20 million tons (140 million barrels) of oil annually from Kazakhstan to China. Alatau Pass, where the final link in the pipeline was welded on November 14, is expected to become a hub for railway, road and pipeline networks for the remote region in China's northwest. The pipeline was built by state-owned China National Petroleum Corporation and KazMunaiGas (Kazakhstan's national oil and gas company). (Associated Press Newswires, November 15)

Plans of the International Consortium Agip KCO

19. Agip KCO plans to start commercial extraction at Kashagan deposit at the end of 2008. "We work within the program, according to which oil production is scheduled at the end of 2008," Agip KCO regional director for Kazakhstan Luciano Vasques said on November 14 in Atyrau (Kazakhstan's "oil capital" on the Caspian Sea). (Interfax-Kazakhstan, November 15)

10. Agip KCO intends to construct an oil and gas refinery complex near Atyrau within its North Caspian Project by June 2008. As Agip KCO surface facilities manager Daniele Nazzani announced, "we plan to complete building and assembly works by this time, i.e. the plant will be ready for launching." The project capacity of the oil treatment system would be 450,000 barrels a day or 22.5 million tons a year, and gas treatment system up to 6.2 billion cubic meters a year. (Interfax-Kazakhstan, November 16)

TCO to Export Tengiz Oil by the Southern Route

11. Tengizchevroil (TCO) signed commercial contracts to export crude oil by the "Southern Route." TCO did not specify the names of the signatory companies and the oil volumes to be exported. As TCO press release reports, "the Southern Route will allow us to export crude from Tengiz through Aktau across the Caspian Sea to Baku, Azerbaijan, and further on to Batumi, Georgia, to the Black Sea for further deliveries to international markets." (Interfax-Kazakhstan, November 23)

EBRD and DBK to Finance North-South Power Line

12. The Kazakhstan Electricity Grid Operating Company JSC (KEGOC) signed loan agreements with the EBRD and state-owned Development Bank of Kazakhstan (DBK) to implement the construction of North-South power transmission line. KEGOC will receive \$87.8 million in loans: the EBRD will provide \$52.8 million for 12 years; and Raiffeisen Zentralbank sterreich, Bayerische Landesbank, Calion and Citibank will syndicate \$35 million for 9-12 years under EBRD auspices. Additionally, the DBK will loan KEGOC KZT 6.97 billion (about \$51.8 million) for 15 years. (Interfax-Kazakhstan, November 25)

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